

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Romeo	County Macomb
Fiscal Year End June 30, 2007	Opinion Date November 28, 2007	Date Audit Report Submitted to State December 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

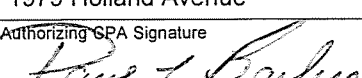
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829		
Street Address 1979 Holland Avenue		City Port Huron	State MI	Zip 48060
Authorizing CPA Signature 		Printed Name Paul Bailey		License Number 1101014088

VILLAGE OF ROMEO, MICHIGAN

**ANNUAL FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
JUNE 30, 2007**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

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VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Village Board
Village of Romeo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the Village of Romeo, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Romeo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Romeo, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2007 on our consideration of the Village of Romeo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8, and schedules of budgetary comparisons on pages 43 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Romeo's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

Certified Public Accountants

November 28, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Romeo's 2007 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and component unit information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Village's net assets and how they have changed. Net assets, defined as the difference between the Village's assets and liabilities, are one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into two categories:

Governmental activities - most of the Village's basic services are included here, such as the police, fire, public works, parks and recreation, general administration and debt retirement. Property taxes, state-shared revenues, charges for services are most of the funding.

Business-type activities - the Village charges fees to customers to help it cover the costs of certain services it provides. The water and sewer operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds; not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

Governmental Funds - Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village currently has 12 governmental funds.

Proprietary Funds - Proprietary funds use the accrual basis of accounting, which is the same basis used by the private businesses. The Village maintains two different types of proprietary funds.

Enterprise Funds - are used to report services for which the Village charges customers a fee for those services. The Village has two enterprise funds, the Water and Sewer Funds.

Internal Service Funds - report activities that provide services and supplies to other Village programs. The Village utilizes a Motor Pool internal service fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Village has combined total net assets of \$15,553,405. This is a decrease of \$913,251 over 2006. Government-type activities comprise \$3,648,260, and business-type activities make up \$11,905,145 of the total net assets. In a condensed format, the table below shows net assets as of June 30, 2007:

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Assets				
Current assets	\$ 3,597,067	\$ 3,398,715	\$ 382,268	\$ 711,218
Restricted assets	-	-	425,016	1,869,804
Capital assets	<u>2,489,132</u>	<u>2,650,009</u>	<u>18,450,688</u>	<u>17,235,900</u>
Total assets	<u>6,086,199</u>	<u>6,048,724</u>	<u>19,257,972</u>	<u>19,816,922</u>
Liabilities				
Current liabilities	177,807	172,334	175,383	158,832
Restricted liabilities	-	-	205,174	688,590
Long-term liabilities	<u>2,260,132</u>	<u>949,723</u>	<u>6,972,270</u>	<u>7,429,511</u>
Total liabilities	<u>2,437,939</u>	<u>1,122,057</u>	<u>7,352,827</u>	<u>8,276,933</u>
Net Assets				
Invested in capital assets -				
Net of related debt	1,898,710	1,843,634	11,743,269	11,042,748
Restricted	1,769,553	1,616,203	-	2,302
Unrestricted	<u>(20,003)</u>	<u>1,466,830</u>	<u>161,876</u>	<u>494,939</u>
Total net assets	<u>\$ 3,648,260</u>	<u>\$ 4,926,667</u>	<u>\$ 11,905,145</u>	<u>\$11,539,989</u>

The Village's governmental activities experienced a net change in assets of \$(1,278,407). This is a result of an \$80,702 decrease in tax revenue, a \$43,121 increase in investment income, a \$275,043 decrease in transfers out, and a \$1,515,403 contingent liability that was recorded for a tax tribunal settlement. The business-type activities experienced an increase in net assets of \$365,156. This is a result of increased charges for services of \$89,725, decreased interest earned of \$88,305, a \$275,043 decrease in transfers in, and capital contributions from Bruce Township of \$569,223. Over the past few years the General Fund has subsidized the water and sewer operations.

The following table shows the changes in net assets for 2007:

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenue				
Program revenue:				
Charges for services	\$ 139,443	\$ 162,030	\$ 1,015,387	\$ 925,661
Operating grants and contributions	258,557	249,742	-	-
Capital grants and contributions	-	-	569,223	1,841,818
General revenue:				
Property taxes	3,053,211	3,133,913	-	-
State-shared revenue	379,722	391,918	-	-
Loss on disposal of assets	-	-	(23,220)	-
Unrestricted investment earnings	<u>170,697</u>	<u>127,576</u>	<u>39,271</u>	<u>141,790</u>
Total Revenue	<u>4,001,630</u>	<u>4,065,179</u>	<u>1,600,661</u>	<u>2,909,269</u>
Program Expenses				
General government	492,654	497,343	-	-
Public safety	1,522,310	1,432,871	-	-
Public works	904,649	864,643	-	-
Recreation and culture	46,606	43,865	-	-
Other activities	116,654	120,932	-	-
Interest on long-term debt	36,590	44,596	-	-
Water	-	-	700,763	693,835
Sewer	<u>-</u>	<u>-</u>	<u>1,179,913</u>	<u>1,113,103</u>
Total Program Expenses	<u>3,119,463</u>	<u>3,004,250</u>	<u>1,880,676</u>	<u>1,806,938</u>
Changes in net assets before transfers and special item	882,167	1,060,929	(280,015)	1,102,331
Transfers between funds	(645,171)	(920,214)	645,171	920,214
Special item – Contingent liability	<u>(1,515,403)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u><u>\$(1,278,407)</u></u>	<u><u>\$ 140,715</u></u>	<u><u>\$ 365,156</u></u>	<u><u>\$ 2,022,545</u></u>

Governmental Activities

Revenues for governmental activities totaled \$4,001,630 in 2007. Of this amount \$3,053,211 or 76% was received from taxes followed by State Shared Revenue of 9%.

Business-type Activities

The Village has two business-type activities, water and wastewater. The Village operates its own water and sewage treatment facility as well as purchasing water for the Detroit Water Board for certain customers. The water and wastewater funds had a net increase in net assets of \$91,248 and \$273,908, respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2007 with a fund balance of \$991,195, of which \$154,307 was designated for vested accrued vacation and sick time, \$17,080 was reserved for prepaid expenditures, with the remaining amount of \$819,808 unreserved. This is a decrease of \$80,317 from the prior year.

The Major Street Fund ended 2007 with a fund balance of \$1,092,498, which is an increase of \$18,007.

The Municipal Street Fund ended 2007 with a fund balance of \$313,681, which is an increase of \$149,890. This increase is a result of \$12,054 more revenues than anticipated and \$142,836 less expenditures than anticipated.

The other major funds are the Water Supply System and Wastewater Fund which have been discussed earlier.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Village administration and Council monitor the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year no amendments were made and operating results varied from the budget in the following areas:

General Fund

- Property tax revenues were \$100,263 less than budgeted because the budget did not take into account the DDA and Brownfield Redevelopment Authority captures.
- The Police Department spent \$55,148 more than budgeted due to various costs that were more than anticipated.
- Transfer out was \$199,111 less than budgeted due to less of a transfer for the 2004 G.O. Bond debt payment.

Major Street Fund

- Revenue was \$22,602 more than budgeted as a result of receiving \$13,881 more of interest earned and expenditures were \$4,595 less than anticipated.

Municipal Street Fund

- Expenditures were \$142,836 less than budgeted due to \$26,649 less spent on routine maintenance, \$73,502 less spent on traffic and street signs, and \$34,717 less spent on sidewalks than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village had \$20,939,820 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2007. The investment in capital assets includes, land, building and building improvements, machinery and equipment, vehicles, and water and sewer systems. Infrastructure (e.g. roads, drains, etc.) purchased on or after July 1, 2003 is also included. During the year the Village added approximately \$1,619,594 of capital assets before taking into account depreciation, \$16,375 in the governmental activities and \$1,603,219 in the business activities. The addition in the business activities was for the expansion and upgrade of the Wastewater Treatment Plant. Depreciation for the year was \$542,462.

The following table shows the capital assets at June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 681,473	\$ 15,316
Land improvements	397,095	-
Building and improvements	1,623,290	7,285,842
Machinery and equipment	644,841	365,141
Vehicles	1,087,481	-
Infrastructure	75,644	-
Utility systems	-	7,930,867
Construction in progress	-	<u>9,775,616</u>
	4,509,824	25,372,782
Accumulated depreciation	<u>(2,020,692)</u>	<u>(6,922,094)</u>
	<u>\$ 2,489,132</u>	<u>\$ 18,450,688</u>

Long-term Debt

At June 30, 2007, the Village had \$9,232,402 in long-term debt compared to \$8,379,234 at June 30 2006. During the year, the Village reached a tentative agreement for a property tax tribunal for \$1,515,403. The following table shows the long-term debt at June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds	\$ 535,000	\$ 6,710,000
Capital Leases	50,491	-
Notes/Contracts Payable	4,931	364,859
Compensated Absences	154,307	45,009
Contingent Liability	<u>1,515,403</u>	<u>-</u>
	2,260,132	7,119,868
Deferred Refunding Loss/Issuance Discounts	<u>-</u>	<u>(147,598)</u>
	<u>\$ 2,260,132</u>	<u>\$ 6,972,270</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

In preparation for the Village of Romeo fiscal year 2008, many factors were considered. Unfortunately, this year started out with a large debt that has been placed upon the Village by an error in a double assessment of a certain industrial property. The assessing is performed by Bruce Township, and they provided the Village with the specific information. A tentative agreement is being negotiated at the time of this writing. The terms for payment may extend to December of 2010 for the debt incurred.

The General Fund expenditures were scaled back by \$142,570 from the previous fiscal year. Even with the cutbacks, an increase of one mill was established for the General Fund to cover everyday expenditures and the debts incurred.

Last year the Board of Trustees passed a Resolution to transfer funds from the Major Street Fund to the Local Street Fund for the purpose of repairing and paving streets within the downtown district, and to repave East Pond and Shafer Drive in the industrial district. The request was forwarded to the MI Department of Transportation and was approved. However, additional paving projects will need to be considered within the next few years. This should include the parking lot in the south/west quadrant of the downtown district. The existing debt on bonds for previous street paving will end in 2009 and 2010.

The Village of Romeo owns the building that houses the Tri-Community Cable Studio, and the debt for that building has been paid in full this year. It is my recommendation that each year, an amount of money received from the franchise fees, (\$2,400), be set aside for future maintenance projects on the building. While the Cable Commission is responsible for the maintenance of the building, it remains a Village asset.

The Sanitary Sewer Evaluation Study for the entire sewer system is an on-going project. While last years efforts were of an inventory basis, next year underground work will need to take place in two specific areas of the residential district. This project is funded through the Public Improvement Fund.

It will be necessary for the Village of Romeo Board of Trustees to have the water and sewer rates evaluated on a regular basis to keep pace with the increasing costs of operation and maintenance of both utility systems. This not only includes manpower and chemical supplies, but State and Federal testing mandates.

In conclusion, the Village of Romeo has been able to keep up to date with the demands not only internally, with our constituents, but also with any outside influences, from any other agency. The Clerk/Administrator, along with the Supervisors, keep a vigilant eye on the operation of a this community on a daily basis.

CONTACTING THE VILLAGE

This financial report is designed to provide a general overview of the Village's finances to our residents and other interested parties in understanding the Village's financial condition. If you have questions about this report or need additional financial information, please contact the Village/Clerk Administrator, Marian T. McLaughlin, at 586-752-3565, or in writing to the same, 121 W. St. Clair, Romeo, MI 48065.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 2,687,325	\$ 25,090	\$ 2,712,415	\$ 322,305
Investments	498,545	-	498,545	-
Receivables (net of allowance)	230,072	372,983	603,055	-
Due from primary government	-	-	-	86,537
Prepaid expenditures	165,320	-	165,320	-
Internal balances	15,805	(15,805)	-	-
Restricted Assets -				
Cash and cash equivalents	-	353,563	353,563	-
Due from other governmental units	-	71,453	71,453	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	681,473	9,790,932	10,472,405	-
Assets being depreciated	1,807,659	8,659,756	10,467,415	-
Total Assets	<u>6,086,199</u>	<u>19,257,972</u>	<u>25,344,171</u>	<u>408,842</u>
LIABILITIES:				
Payables and accrued liabilities	81,959	91,687	173,646	-
Accrued interest	9,311	83,696	93,007	-
Due to component unit	86,537	-	86,537	-
Current liabilities payable from restricted assets	-	205,174	205,174	-
Non-current liabilities				
Due within one year	432,633	298,031	730,664	-
Due in more than one year	1,827,499	6,674,239	8,501,738	-
Total Liabilities	<u>2,437,939</u>	<u>7,352,827</u>	<u>9,790,766</u>	<u>-</u>
NET ASSETS:				
Investment in capital assets,				
net of related liabilities	1,898,710	11,743,269	13,641,979	-
Restricted				
Debt service	90,135	-	90,135	-
Acquisition/construction of capital assets	199,656	-	199,656	-
Streets	1,466,304	-	1,466,304	-
Other	13,458	-	13,458	-
Unrestricted	(20,003)	161,876	141,873	408,842
Total Net Assets	<u>\$ 3,648,260</u>	<u>\$ 11,905,145</u>	<u>\$ 15,553,405</u>	<u>\$ 408,842</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 492,654	\$ 78,394	\$ -	\$ -
Public Safety	1,522,310	53,024	5,841	-
Public Works	904,649	8,025	194,860	-
Recreation and Culture	46,606	-	57,856	-
Other Activities	116,654	-	-	-
Interest on Long Term Debt	36,590	-	-	-
Total governmental activities	<u>3,119,463</u>	<u>139,443</u>	<u>258,557</u>	<u>-</u>
Business type activities				
Water Supply System	700,763	392,859	-	-
Wastewater	1,179,913	622,528	-	569,223
Total business type activities	<u>1,880,676</u>	<u>1,015,387</u>	<u>-</u>	<u>569,223</u>
Total Primary Government	<u>5,000,139</u>	<u>1,154,830</u>	<u>258,557</u>	<u>569,223</u>
Component Units				
Downtown Development Authority	98,981	-	-	-
Brownfield Development	-	-	-	-
	<u>98,981</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Grants and contribution not -				
restricted to specific programs				
Unrestricted investment income				
Loss on disposal of assets				
Transfers				
Special item- tax tribunal				
Total general revenues, transfers and special items				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		Total	Component Units
Governmental Activities	Business Type Activities		
\$(414,260)	\$ -	\$(414,260)	\$ -
(1,463,445)	-	(1,463,445)	-
(701,764)	-	(701,764)	-
11,250	-	11,250	-
(116,654)	-	(116,654)	-
(36,590)	-	(36,590)	-
<u>(2,721,463)</u>	<u>-</u>	<u>(2,721,463)</u>	<u>-</u>
-	(307,904)	(307,904)	-
<u>-</u>	<u>11,838</u>	<u>11,838</u>	<u>-</u>
<u>-</u>	<u>(296,066)</u>	<u>(296,066)</u>	<u>-</u>
<u>(2,721,463)</u>	<u>(296,066)</u>	<u>(3,017,529)</u>	<u>-</u>
-	-	-	(98,981)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,981)</u>
3,053,211	-	3,053,211	163,031
379,722	-	379,722	-
170,697	39,271	209,968	13,897
-	(23,220)	(23,220)	-
(645,171)	645,171	-	-
<u>(1,515,403)</u>	<u>-</u>	<u>(1,515,403)</u>	<u>-</u>
<u>1,443,056</u>	<u>661,222</u>	<u>2,104,278</u>	<u>176,928</u>
(1,278,407)	365,156	(913,251)	77,947
<u>4,926,667</u>	<u>11,539,989</u>	<u>16,466,656</u>	<u>330,895</u>
<u>\$ 3,648,260</u>	<u>\$ 11,905,145</u>	<u>\$ 15,553,405</u>	<u>\$ 408,842</u>

VILLAGE OF ROMEO, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Municipal Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Assets:					
Cash and cash equivalents	\$ 945,597	\$ 577,319	\$ 288,259	\$ 643,668	\$ 2,454,843
Investments	-	498,545	-	-	498,545
Receivables -					
Interest and accounts	7,517	-	-	-	7,517
Property taxes	106,834	-	1,597	-	108,431
Due from other governmental units -					
Federal/State	126,118	20,141	-	10,452	156,711
Due from other funds	33,059	-	41,519	-	74,578
Prepayments and deposits	17,080	-	-	-	17,080
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,236,205</u>	<u>\$ 1,096,005</u>	<u>\$ 331,375</u>	<u>\$ 654,120</u>	<u>\$ 3,317,705</u>
Liabilities:					
Accounts payable	\$ 54,624	577	1,962	\$ 4,291	\$ 61,454
Accrued liabilities	16,192	24	514	2,746	19,476
Due to other funds	254	2,906	12,914	56,264	72,338
Due to component units	84,233	-	2,304	-	86,537
Deferred revenue	89,707	-	-	-	89,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>245,010</u>	<u>3,507</u>	<u>17,694</u>	<u>63,301</u>	<u>329,512</u>
Fund Balances:					
Reserved -					
Prepays	17,080	-	-	-	17,080
Debt Service	-	-	-	90,135	90,135
Capital Projects	-	-	-	27,195	27,195
Unreserved -					
Designated -					
Accrued vacation and sick	154,307	-	-	-	154,307
Undesignated -					
General Fund	819,808	-	-	-	819,808
Special Revenue Funds	-	1,092,498	313,681	473,489	1,879,668
Total Equity	<u>991,195</u>	<u>1,092,498</u>	<u>313,681</u>	<u>590,819</u>	<u>2,988,193</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Equity	<u>\$ 1,236,205</u>	<u>\$ 1,096,005</u>	<u>\$ 331,375</u>	<u>\$ 654,120</u>	<u>\$ 3,317,705</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2007

Fund Balances - total governmental funds		\$	2,988,193
Amounts reported for governmental activities in the statement of net assets are different because:			
Prepaid Expenses recorded in the funds on the purchase method			148,240
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Capital assets			3,587,877
Accumulated depreciation	(		1,421,502)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Delinquent personal property taxes			89,707
Allowance for uncollectible taxes receivable	(		45,662)
Internal Service Fund used by management to charge cost of the City's motor pool activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			524,103
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Bonds/Notes payable	(	539,931)	
Contingent liabilities	(	1,515,403)	
Compensated absences	(	154,307)	
Capital leases	(	5,542)	
Accrued interest	(	7,513)	
			(2,222,696)
Net Assets of governmental activities		\$	<u>3,648,260</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,645,787	\$ -	\$ 402,639	\$ -	\$ 3,048,426
Licenses and permits	5,000	-	-	-	5,000
Intergovernmental -					
State	385,563	122,655	-	72,205	580,423
Charges for services	-	-	-	40,609	40,609
Fines and forfeits	30,065	-	-	-	30,065
Interest and rent	77,689	39,947	16,390	36,671	170,697
Other	18,753	-	8,025	94,847	121,625
Total Revenues	<u>3,162,857</u>	<u>162,602</u>	<u>427,054</u>	<u>244,332</u>	<u>3,996,845</u>
Expenditures:					
Current -					
General Government	484,458	-	-	63,535	547,993
Public Safety	1,430,852	-	-	37,556	1,468,408
Public Works	436,681	52,104	100,821	253,863	843,469
Recreation and Culture	818	-	-	45,788	46,606
Other Activities	116,654	-	-	-	116,654
Capital Outlay	31,872	-	-	-	31,872
Debt Service					
Principal	28,797	-	19,650	125,101	173,548
Interest	2,203	-	1,038	34,928	38,169
Total Expenditures	<u>2,532,335</u>	<u>52,104</u>	<u>121,509</u>	<u>560,771</u>	<u>3,266,719</u>
Excess of revenues over (under) expenditures	<u>630,522</u>	<u>110,498</u>	<u>305,545</u>	<u>(316,439)</u>	<u>730,126</u>
Other Financing Sources (Uses):					
Transfers In	5,000	-	-	381,920	386,920
Transfers Out	(715,839)	(92,491)	(155,655)	(49,056)	(1,013,041)
Total Other Financing Sources (Uses)	<u>(710,839)</u>	<u>(92,491)</u>	<u>(155,655)</u>	<u>332,864</u>	<u>(626,121)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(80,317)</u>	<u>18,007</u>	<u>149,890</u>	<u>16,425</u>	<u>104,005</u>
Fund Balances at beginning of year	<u>1,071,512</u>	<u>1,074,491</u>	<u>163,791</u>	<u>574,394</u>	<u>2,884,188</u>
Fund Balances at end of year	<u><u>\$ 991,195</u></u>	<u><u>\$ 1,092,498</u></u>	<u><u>\$ 313,681</u></u>	<u><u>\$ 590,819</u></u>	<u><u>\$ 2,988,193</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	104,005
Change in prepaid expenses recorded in the funds on the purchase method		10,896
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		16,375
Depreciation expense	(	109,792)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,785
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.		173,548
Internal service funds used by management to charge costs of the Village's motor pool activities. The net revenues (expenses) attributable to those funds is reported with governmental activities.		46,559
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Decrease in accrued interest payable	1,579	
Increase in accrued compensated absences	(	10,959)
Contingent liabilities	(	1,515,403)
		<u>(1,524,783)</u>
Change in net assets of governmental activities	\$	<u><u>(1,278,407)</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Fund
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 13,726	\$ 11,364	\$ 25,090	\$ 232,482
Accounts and interest receivable	127,450	245,533	372,983	-
Due from other funds	-	10,681	10,681	16,640
	<u>141,176</u>	<u>267,578</u>	<u>408,754</u>	<u>249,122</u>
Restricted Assets:				
Cash and cash equivalents	-	353,563	353,563	-
Due from other governmental units	-	71,453	71,453	-
	<u>-</u>	<u>425,016</u>	<u>425,016</u>	<u>-</u>
Total Current Assets	<u>141,176</u>	<u>692,594</u>	<u>833,770</u>	<u>249,122</u>
Property, Plant and Equipment:				
Property, plant and equipment	9,038,538	16,334,244	25,372,782	921,947
Less - accumulated depreciation	(2,935,735)	(3,986,359)	(6,922,094)	(599,190)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>6,102,803</u>	<u>12,347,885</u>	<u>18,450,688</u>	<u>322,757</u>
Total Assets	<u>6,243,979</u>	<u>13,040,479</u>	<u>19,284,458</u>	<u>571,879</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	46,323	41,222	87,545	967
Accrued expenses	1,422	2,720	4,142	62
Accrued interest	11,725	71,971	83,696	1,798
Bond/Notes payable (current portion)	153,537	144,494	298,031	44,949
Due to other funds	18,919	7,567	26,486	-
Total Current Liabilities	<u>231,926</u>	<u>267,974</u>	<u>499,900</u>	<u>47,776</u>
Current Liabilities- (Payable from Restricted Assets):				
Accounts payable	<u>-</u>	<u>205,174</u>	<u>205,174</u>	<u>-</u>
Long-Term Liabilities (less current portions):				
Accrued vacation and sick	13,598	31,411	45,009	-
Bond/Notes payable (net of current portion)	833,847	5,795,383	6,629,230	-
Total Long-Term Liabilities	<u>847,445</u>	<u>5,826,794</u>	<u>6,674,239</u>	<u>-</u>
Total Liabilities	<u>1,079,371</u>	<u>6,299,942</u>	<u>7,379,313</u>	<u>47,776</u>
NET ASSETS:				
Investment in capital assets, net	5,115,419	6,627,850	11,743,269	277,808
Unrestricted				
Unreserved	<u>49,189</u>	<u>112,687</u>	<u>161,876</u>	<u>246,295</u>
Total Net Assets	<u>\$ 5,164,608</u>	<u>\$ 6,740,537</u>	<u>\$ 11,905,145</u>	<u>\$ 524,103</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 384,653	\$ 619,431	\$ 1,004,084	\$ -
Rents	-	-	-	160,724
Other	3,706	297	4,003	-
Total Operating Revenues	<u>388,359</u>	<u>619,728</u>	<u>1,008,087</u>	<u>160,724</u>
Operating Expenses:				
Personal services	140,677	359,740	500,417	21,683
Purchase of water	143,732	-	143,732	-
Utilities	52,747	132,455	185,202	-
Repairs and maintenance	20,250	42,589	62,839	10,034
Other	76,386	186,671	263,057	4,444
Depreciation	198,752	166,458	365,210	67,460
Total Operating Expenses	<u>632,544</u>	<u>887,913</u>	<u>1,520,457</u>	<u>103,621</u>
Operating Income (Loss)	<u>(244,185)</u>	<u>(268,185)</u>	<u>(512,370)</u>	<u>57,103</u>
Non-Operating Revenues:				
Interest earned	1,822	37,449	39,271	10,304
Loss on disposal of assets	-	(23,220)	(23,220)	-
Tap fees	4,500	2,800	7,300	-
Interest expenses	(68,219)	(292,000)	(360,219)	(1,798)
Total Non-Operating Revenues	<u>(61,897)</u>	<u>(274,971)</u>	<u>(336,868)</u>	<u>8,506</u>
Net Income (Loss) Before Transfers	<u>(306,082)</u>	<u>(543,156)</u>	<u>(849,238)</u>	<u>65,609</u>
Other Financing Sources (Uses)	-			
Transfers In	398,830	247,841	646,671	-
Transfers Out	(1,500)	-	(1,500)	(19,050)
	<u>397,330</u>	<u>247,841</u>	<u>645,171</u>	<u>(19,050)</u>
Net Income (Loss) before contributions	91,248	(295,315)	(204,067)	46,559
Capital Contributions	<u>-</u>	<u>569,223</u>	<u>569,223</u>	<u>-</u>
Net Income	91,248	273,908	365,156	46,559
Net Assets at beginning of year	<u>5,073,360</u>	<u>6,466,629</u>	<u>11,539,989</u>	<u>477,544</u>
Net Assets end of year	<u><u>\$ 5,164,608</u></u>	<u><u>\$ 6,740,537</u></u>	<u><u>\$ 11,905,145</u></u>	<u><u>\$ 524,103</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 378,570	\$ 598,206	\$ 976,776	\$ -
Cash receipts from rental of equipment	-	-	-	160,724
Cash payments to suppliers	(286,505)	(345,710)	(632,215)	(13,654)
Cash payments to employees	(137,807)	(375,591)	(513,398)	(21,621)
Net Cash Provided (Used) by Operating Activities	(45,742)	(123,095)	(168,837)	125,449
Cash Flows From Noncapital Financing Activities:				
Due from/to other funds	(2,867)	(6,920)	(9,787)	8,953
Transfers from/to other funds	397,330	247,841	645,171	(19,050)
Net Cash Provided (Used) by Noncapital Financing Activities	394,463	240,921	635,384	(10,097)
Cash Flows From Capital and Related Financing Activities:				
Debt retirement	(397,329)	(413,214)	(810,543)	(47,646)
Loss on disposal of assets	-	(23,220)	(23,220)	-
Tap fees	4,500	2,800	7,300	-
Capital contribution	-	1,023,167	1,023,167	-
Acquisition and construction of capital assets	-	(2,063,414)	(2,063,414)	-
Net Cash Used by Capital and Related Financing Activities	(392,829)	(1,473,881)	(1,866,710)	(47,646)
Cash Flows From Investing Activities:				
Investments	-	123,801	123,801	-
Interest earned	1,822	37,449	39,271	10,304
Net Cash Provided by Investing Activities	1,822	161,250	163,072	10,304
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(42,286)	(1,194,805)	(1,237,091)	78,010
Cash and Cash Equivalents at Beginning of Year	56,012	1,559,732	1,615,744	154,472
Cash and Cash Equivalents at End of Year	\$ 13,726	\$ 364,927	\$ 378,653	\$ 232,482
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$(244,185)	\$(268,185)	\$(512,370)	\$ 57,103
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	198,752	166,458	365,210	67,460
Change in assets and liabilities:				
Receivable	(9,789)	(21,522)	(31,311)	-
Due from other funds			-	
Accounts payable/accrued expenses	9,480	154	9,634	886
Net Cash Provided (Used) By Operating Activities	\$(45,742)	\$(123,095)	\$(168,837)	\$ 125,449

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 2,541
Accounts receivable	<u>534</u>
	<u>\$ 3,075</u>
 LIABILITIES:	
Due to other funds	<u>\$ 3,075</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO

COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2007

	<u>Downtown Development Authority</u>	<u>Brownfield Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 322,305	\$ -	\$ 322,305
Due from primary government	<u>68,762</u>	<u>17,775</u>	<u>86,537</u>
	<u>\$ 391,067</u>	<u>\$ 17,775</u>	<u>\$ 408,842</u>
Net Assets:			
Unrestricted	<u>\$ 391,067</u>	<u>\$ 17,775</u>	<u>\$ 408,842</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROMEO

COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority				
Governmental Activities				
Public Works	\$ 98,981	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority				
Governmental Activities				
Public Works	-	-	-	-
Total Component Units	<u>98,981</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Unrestricted investment income				
Total general revenues				
Change in net assets				
Net assets at the beginning of year				
Net assets at the end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ (98,981)	\$ -	\$ (98,981)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(98,981)</u>	<u>-</u>	<u>(98,981)</u>
145,256	17,775	163,031
<u>13,897</u>	<u>-</u>	<u>13,897</u>
<u>159,153</u>	<u>17,775</u>	<u>176,928</u>
60,172	17,775	77,947
<u>330,895</u>	<u>-</u>	<u>330,895</u>
<u>\$ 391,067</u>	<u>\$ 17,775</u>	<u>\$ 408,842</u>

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Village of Romeo, Michigan was incorporated as a General Law Village in 1838, under the provisions of the Constitution and general law of the State of Michigan, with its Charter provided by Act 3 of 1895. The Village is located in Northern Macomb County and covers an area of approximately 1.5 square miles. The Village operates under an elected Village Board, which consists of the President and six Board members, with the daily activities operated by the Village Administrator/Clerk and Treasurer. The Village provides services to its more than 3,700 residents in many areas including law enforcement, water, sewer, cemetery and parks and recreation.

These financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

DISCRETELY PRESENTED COMPONENT UNITS -

Downtown Development Authority - The Authority is controlled by a nine member Board, who are appointed by the Village President. The DDA is responsible for the creation of a development and financing plan for the Downtown district or a development area within the district to promote economic growth. The Authority must obtain Village Board approval of all development and financial plans. The annual operating budget and any modification also requires the approval of the Village Board.

Brownfield Redevelopment Authority - was created to promote the reclamation, redevelopment, and revitalization of a distressed area. The Authority is under the supervision of the Village Board and the Macomb County Brownfield Redevelopment Authority.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

VILLAGE OF ROMEO
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are normally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Village.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Village reports the following major governmental funds:

General Fund - is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - is used to account for the revenues received from the State of Michigan under Act 51, which are specifically earmarked for construction and maintenance of roads designated as Major Streets in the Village.

Municipal Street Fund - is used to account for the revenues received from taxes levied, which are to be used specifically for construction and maintenance of roads in the Village.

The Village reports the following major proprietary funds:

Water Supply System Fund - is used to account for the treatment and distribution of water to residential and commercial users.

Wastewater System Fund - is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the Village reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Funds - are used to account for the accumulation of resources for, and the payment of long-term general obligation debt of governmental funds.

Capital Projects Fund - is used to account for revenue restricted for the acquisition and/or construction of major capital assets not being financed by proprietary funds.

Internal Service Fund - is used to account for the costs of operating and maintaining the Village's motor pool. Charges are made to other funds based on equipment used.

Agency Fund - is used to account for assets held by the Village as an agent for other governments and other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operation. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sales and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and the unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the Village to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Prepaid Items -

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar -

The Village's property tax is levied as of July 1 on the assessed valuation of property located in the Village as of the preceding December 31. The taxes are due on July 31 with final collection date as of February 28, after which they are added to the delinquent tax roll.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for items capitalized in prior years in the proprietary funds, which utilized a \$500, capitalized threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-50
Land improvements	20
Utility systems	40-50
Machinery/equipment/vehicles	5-15

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts.

Long-Term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

Prior to June 1, the Administrator/Clerk prepares, from data submitted from administration and officials of the Village, proposed budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them. A public hearing is conducted to obtain the taxpayers' comments, and then prior to June 30, the budgets are legally enacted through passage of a resolution.

The General Fund budget was approved at the activity level and Special Revenue Funds budgets were approved at the function level, however, they are maintained at the account level for control purposes.

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Budget amounts are reported as originally adopted with no amendments made by the Village Board during the year.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

During the year ended June 30, 2007, the Village (primary government) incurred expenditures in the General Fund and Special Revenue Funds, which were in excess of the amounts appropriated at the function level as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund –			
Clerk/Administrator	\$ 99,190	\$ 102,142	\$ 2,952
Elections	1,000	1,369	369
Treasurer	57,025	58,270	1,245
Planning Commission	7,000	8,500	1,500
Police Department	1,023,805	1,078,953	55,148
Fire Department	350,000	351,899	1,899
Department of Public Works	224,000	241,267	17,267
Sanitation	193,000	195,414	2,414
Capital Outlay	25,000	31,872	6,872
Debt	30,800	31,000	200
Special Revenue -			
Major Street Fund			
Transfers Out	60,491	92,491	32,000
Municipal Street			
Transfer Out	150,655	155,655	5,000
Inspections Fund			
Public Safety	36,000	37,556	1,556

Other –

The Village did not adopt a budget for the Brownfield Redevelopment Authority (Component Unit).

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2007, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Fund	Component Unit	Reporting Entity
Deposits -				
Cash on hand -				
Petty Cash	\$ 700	\$ -	\$ -	\$ 700
Deposits with Financial Institutions -				
Checking/Money Market	2,874,784	2,541	322,305	3,199,630
Certificate of Deposit	<u>681,827</u>	<u>-</u>	<u>-</u>	<u>681,827</u>
Total Deposits	3,557,311	2,541	322,305	3,882,157
Investments -				
U.S. Government Securities	<u>7,212</u>	<u>-</u>	<u>-</u>	<u>7,212</u>
Grand Total	<u>\$ 3,564,523</u>	<u>\$ 2,541</u>	<u>\$ 322,305</u>	<u>\$ 3,889,369</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 700	\$ -	\$ -	\$ 700
Certificates of Deposit	190,494	-	-	190,494
Cash in Checking/Money Market	<u>2,874,784</u>	<u>2,541</u>	<u>322,305</u>	<u>3,199,630</u>
Total Cash and Cash Equivalents	<u>3,065,978</u>	<u>2,541</u>	<u>322,305</u>	<u>3,390,824</u>
Reported as Investments -				
Certificates of Deposits	491,333	-	-	491,333
U.S. Government Securities	<u>7,212</u>	<u>-</u>	<u>-</u>	<u>7,212</u>
Total Investments	<u>498,545</u>	<u>-</u>	<u>-</u>	<u>498,545</u>
Grand Total-Combined Balance Sheet	<u>\$ 3,564,523</u>	<u>\$ 2,541</u>	<u>\$ 322,305</u>	<u>\$ 3,889,369</u>

Deposits –

The Village's investment policy and Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state of federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Custodial Credit Risk - Deposits – is the risk that in the event of a bank failure, the Village's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Village, as of June 30, 2007, the book value of the Village's deposits was \$3,881,457 with a corresponding bank balance of \$3,918,660. Insured deposits were \$1,081,355, and the remaining \$2,837,305 was uninsured or uncollateralized.

The Village's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution and assesses the level of risk. The Village uses only those financial institutions with an acceptable estimated risk level as depositors.

Investments -

The Village's investment policy and Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Village to invest surplus funds in bonds, securities and other direct obligation of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 365, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Credit Risk – Investments – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2007, the credit quality rating of the Village investment is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rated</u>	<u>Rating Organization</u>	<u>Maturity</u>
Treasuries and Federal Agencies				
Government National Mortgage Association	\$ 7,212	AAA	Moody's	5 1/2 years

Custodial Credit Risk – Investments – is the risk that, in the event of the failure of the counterparty, the Village may not be able to recover the value of its investments that are in the possession of another party. The Village's policy requires securities may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of June 30, 2007, \$7,212 of investments were held in third-party safekeeping not in the Village's name, however, evidenced by safekeeping receipts.

Concentration of Credit Risk – Investments – is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village places no limits on the amounts the Village may invest with any single issuer.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Interest Rate Risk – Investment – is the risk that the value of investments will decrease as a result of a rise in the interest rates. The Village attempts to minimize rate risk by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities and money markets. At year-end, the Village's investments had the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)		
		<1	1-5	6-10
Primary Government -				
U.S. Agency Securities	\$ 7,212	\$ -	\$ -	\$ 7,212
Certificate of Deposit	<u>681,827</u>	<u>486,127</u>	<u>195,700</u>	<u>-</u>
Total Investments	<u>\$ 689,039</u>	<u>\$ 486,127</u>	<u>\$ 195,700</u>	<u>\$ 7,212</u>

Negotiability – Negotiable certificate of deposits are usually in bearer form, and have secondary market that are easily transferable and highly liquid. As of June 30, 2007, the City had negotiable Certificate of Deposits in the amount of \$491,333, and non-negotiable Certificate of Deposits in the amount of \$190,494.

NOTE 4 - TAXES:

The Village property taxes are levied each July on the assessment valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Village/Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Romeo for the fiscal year 2007 had a taxable value of \$274,512,425. The millage rates levied by the Village were 10.000 for General Operating and 1.489 for Municipal Streets.

The County of Macomb has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 108,431	\$ -
Accounts and Interest	10,592	372,983
Intergovernmental	<u>156,711</u>	<u>71,453</u>
	275,734	444,436
Less - Allowance for Uncollectible	(45,662)	-
	<u>\$ 230,072</u>	<u>\$ 444,436</u>

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - RECEIVABLES – (cont'd):

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year the component of deferred revenue and unearned revenue reported in the governmental funds was as follows:

	<u>Unavailable</u>
General Fund -	
Property Taxes	\$ 89,707
Harron Cable Fund -	
Franchise Fees	-
	<u>\$ 89,707</u>

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of June 30, 2007:

Due From/To Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 687
	Local Street Fund	7,985
	Municipal Street Fund	2,151
	Wastewater System Fund	3,721
	Water Fund	15,440
	Agency Fund	3,075
Municipal Street Fund	Local Street Fund	41,519
Wastewater System Fund	Major Street Fund	1,602
	Municipal Street Fund	9,079
Motor Pool Fund	Major Street Fund	617
	Municipal Street Fund	1,684
	Local Street Fund	6,425
	Cemetery Fund	335
	Wastewater System Fund	3,846
	Water Fund	3,479
	General Fund	<u>254</u>
		<u>\$ 101,899 (1)</u>

(1) Reimbursement of costs

Due From/To Primary Government and Components Units –

Brownsfield Redevelopment Authority	General Fund	\$ 15,471
	Municipal Street	2,304
Downtown Development Authority	General Fund	<u>68,762</u>
		<u>\$ 86,537(2)</u>

(2) Property tax capture

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Municipal Street Fund	\$ 5,000
Local Street Fund	Major Street Fund	62,000
	Municipal Street Fund	150,655
Cemetery Fund	Motor Pool Fund	19,050
1994 Transportation Bond Fund	Major Street Fund	30,491
	Local Street Fund	18,134
1995 G.O. Bond Debt Fund	General Fund	101,590
Water Supply System Fund	General Fund	306,970
Wastewater Fund	Public Improvement Fund	30,922
2004 G.O. Limited Tax Bond Debt	General Fund	216,919
Booster Station	General Fund	90,360
	Water	<u>1,500</u>
Total Transfers		<u>\$ 1,033,591</u>

NOTE 7 - CAPITAL ASSETS:

Capital asset activity of the primary government for the year ended June 30, 2007 was as follows:

	<u>July 1, 2006</u>			<u>June 30, 2007</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 681,473	\$ -	\$ -	\$ 681,473
Capital assets, being depreciated:				
Land improvements	397,095	-	-	397,095
Buildings and improvements	1,623,290	-	-	1,623,290
Machinery and equipment	730,388	16,375	101,922	644,841
Vehicles	1,199,853	-	112,372	1,087,481
Sidewalks	<u>75,644</u>	<u>-</u>	<u>-</u>	<u>75,644</u>
Total capital assets being depreciated	<u>4,026,270</u>	<u>16,375</u>	<u>214,294</u>	<u>3,828,351</u>
Less accumulated depreciation for:				
Land improvements	171,187	13,688	-	184,875
Buildings and improvements	583,604	29,096	-	612,700
Machinery and equipment	453,931	45,965	101,922	397,974
Vehicles	833,883	80,939	112,372	802,450
Sidewalks	<u>15,129</u>	<u>7,564</u>	<u>-</u>	<u>22,693</u>
Total accumulated depreciation	<u>2,057,734</u>	<u>177,252</u>	<u>214,294</u>	<u>2,020,692</u>
Total capital assets being depreciated, net	<u>1,968,536</u>	<u>(160,877)</u>	<u>-</u>	<u>1,807,659</u>
Governmental activities capital assets, net	<u>\$ 2,650,009</u>	<u>\$(160,887)</u>	<u>\$ -</u>	<u>\$ 2,489,132</u>

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - CAPITAL ASSETS – (cont'd):

	July 1, 2006			June 30, 2007
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 15,316	\$ -	\$ -	\$ 15,316
Construction in progress	<u>8,193,380</u>	<u>1,582,236</u>	<u>-</u>	<u>9,775,616</u>
	<u>8,208,696</u>	<u>1,582,236</u>	<u>-</u>	<u>9,790,932</u>
Capital assets, being depreciated:				
Buildings and improvements	7,285,842	-	-	7,285,842
Utility systems	7,938,355	-	7,488	7,930,867
Machinery and equipment	<u>1,763,517</u>	<u>20,983</u>	<u>1,419,359</u>	<u>365,141</u>
Total capital assets being depreciated	<u>16,987,714</u>	<u>20,983</u>	<u>1,426,847</u>	<u>15,581,850</u>
Less accumulated depreciation for:				
Buildings and improvements	4,023,838	170,004	-	4,193,842
Utility systems	2,286,556	178,122	1,273	2,463,405
Machinery and equipment	<u>1,650,116</u>	<u>17,084</u>	<u>1,402,353</u>	<u>264,847</u>
Total accumulated depreciation	<u>7,960,510</u>	<u>365,210</u>	<u>1,403,626</u>	<u>6,922,094</u>
Total capital assets being depreciated, net	<u>9,027,204</u>	<u>(344,227)</u>	<u>23,221</u>	<u>8,659,756</u>
Business-type activities capital assets, net	<u>\$ 17,235,900</u>	<u>\$ 1,238,009</u>	<u>\$ (23,221)</u>	<u>\$ 18,450,688</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 18,236
Public Safety	36,182
Public Works	<u>55,374</u>
Total depreciation expense-governmental activities	<u>\$ 109,792</u>
Business-type activities:	
Wastewater	\$ 166,458
Water Supply System	<u>198,752</u>
Total depreciation expense-business-type activities	<u>\$ 365,210</u>

In addition there was depreciation of \$67,460 in the Motor Pool Fund.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in the long-term liabilities (including current portion) of the Primary Government for the year ended June 30, 2007:

	July 1, 2006	Additions	Reductions	June 30, 2007	Due Within One Year
Governmental Activities:					
Governmental Fund -					
1994 Transportation Bond	\$ 170,000	\$ -	\$ 40,000	\$ 130,000	\$ 40,000
1995 General Obligation Unlimited Tax Bonds	480,000	-	75,000	405,000	85,000
1994 Harron Cable Note	15,032	-	10,101	4,931	4,931
Parking Lot Land Contract	5,431	-	5,431	-	-
Accrued Vacation and Sick Pay	143,348	10,959	-	154,307	-
Lighting Project Capital Lease	25,192	-	19,650	5,542	5,542
Contingent Liability -					
Tax Tribunal Settlements	-	1,515,403	-	1,515,403	252,211
Vehicle Capital Lease	23,366	-	23,366	-	-
	862,369	1,526,362	173,548	2,215,183	387,684
Internal Service Fund -					
Vactor Capital Lease	87,354	-	42,405	44,949	44,949
Total Governmental Activities	949,723	1,526,362	215,953	2,260,132	432,633
Business-type Activities:					
1998 General Obligation Unlimited Tax Refunding Bonds	930,000	-	270,000	660,000	95,000
2004 General Obligation Limited Tax Bonds	6,175,000	-	125,000	6,050,000	150,000
Accrued Vacation and Sick Pay	57,447	-	12,438	45,009	-
Installment Purchase Contract Booster Pump	436,584	-	71,725	364,859	74,953
Deferred Amounts for:					
Refunding Loss	(53,891)	-	(16,416)	(37,475)	(16,416)
Issuance Discounts	(115,629)	-	(5,506)	(110,123)	(5,506)
	7,429,511	-	457,241	6,972,270	298,031
	\$ 8,379,234	\$ 1,526,362	\$ 673,194	\$ 9,232,402	\$ 730,664

1994 Transportation Bonds:

The 1994 \$440,000 Transportation Bonds, dated October 1, 1994, due in annual installments ranging from \$40,000 to \$45,000 through October 1, 2009, with interest ranging 2.86 to 4.86 percent payable semi-annually.

\$ 130,000

1995 General Obligation Unlimited Tax Bonds:

The 1995 \$995,000 General Obligation Unlimited Tax Bonds, dated October 1, 1995, due in annual installments ranging from \$85,000 to \$120,000 through October 1, 2010 with interest ranging from 5.45 to 5.70 percent, payable semi-annually.

405,000

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT – (cont'd):

1994 Harron Cable Note:

The 1994 \$95,000 Harron Cable Note, dated January 19, 1994, due in monthly installments of \$905, with interest of 7.25 percent payable monthly through May 19, 2008. \$ 4,931

Lighting Project Capital Lease:

The Village entered into a lease purchase agreement for a new exterior lighting retrofit project in the amount of \$88,500 on October 25, 2002. Payments are due in monthly installments of \$1,724, with interest of 6.54 percent payable monthly through October 1, 2007. 5,542

Vactor Capital Lease:

The Village entered into a lease purchase agreement for a remanufactured vactor in the amount of \$135,000. The remaining balance is due in an installment of \$47,646, including interest of 6.0 percent payable on September 19, 2007. 44,949

Tax Tribunal Settlements:

The Village of Romeo and other taxing authorities have tentatively agreed to settle claims made by Ford Motor Company that it paid certain personal property taxes twice. Under the proposed settlement, the Village will repay to Ford \$1,263,192, 50% of which will be paid on or before December 31, 2008; 25% will be paid on or before December 31, 2009; and the remaining 25% of the amount will be paid on or before December 31, 2010. Interest will accrue on the unpaid balance at the prime rate in effect at J.P. Morgan Chase Bank, commencing on the date the Michigan Tax Tribunal enters a consent judgment, and continuing until the total amount due and owing is paid.

The Village of Romeo has also agreed to pay Ford Motor Company \$252,211 on or before December 31, 2007, for an adjustment to real property taxes paid by Ford Motor Company for the tax year 1999. This amount is from an adjustment made by the Bruce Township Board of Review in 2000.

1,515,403

\$ 2,105,825

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT – (cont'd):

Enterprise Funds:

2004 General Obligation Limited Tax Bonds:

The 2004 \$6,300,000 General Obligation Limited Tax Bonds, dated December 1, 2004, were issued for improvements and expansion to the Wastewater System. The bonds are due in annual installments increasing from \$150,000 to \$450,000 through October 1, 2028; plus interest ranging from 4.0 to 5.5 percent, payable semi-annually.

\$ 6,050,000

1998 General Obligation Unlimited Tax Refunding Bonds:

The 1998 \$2,470,000 General Obligation Unlimited Tax Refunding Bonds, dated March 1, 1998, were issued to advance refund a portion of the 1989 General Obligation Unlimited Tax Bonds, dated September 1, 1989 call of \$1,175,000 and the 1992 General Obligation Water Supply Unlimited Tax Bonds, dated June 1, 1992, call of \$1,030,000. The net proceeds, after deducting issuance cost, were deposited in an escrow account and used to purchase U.S. Government Securities.

Accordingly, the trust account assets and liabilities for the defeased bond issue, are not included in the Village's financial statements. At June 30, 2007, \$655,000 of the debt defeased "in substance" remains outstanding.

The advance refunding resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$95,284. The 1998 bonds are due in annual installments of \$95,000 to \$125,000 through October 1, 2012, with interest ranging between 4.45 to 4.85 percent, payable semi-annually.

\$ 660,000

Contracts Payable:

The Village entered into an installment purchase contract, dated October 3, 2001, to finance the construction of booster pumps. Payments are due in semi-annual installments of \$45,182 with interest of 4.45 percent payable monthly through October 19, 2011.

364,859

\$ 7,074,859

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 - LONG-TERM DEBT – (cont'd):

Accrued Vacation and Sick Pay:

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The Governmental Fund portion of \$154,307 as well as the Enterprise Fund portion of \$45,009 has been recorded in the government-wide financial statements as a long-term liability.

\$ 199,316

Annual Debt Requirements -

The annual requirements to pay the debt outstanding at June 30, 2007, for the following bonds, notes and leases, (excluding accrued vacation and sick) of the Primary Government, are as follows:

Year	Governmental Activities					Business-Type Activities			
	G.O. Bonds		Notes/Leases		Tax Dispute	G.O. Bonds		Contract	
	Principal	Interest	Principal	Interest		Principal	Interest	Principal	Interest
2008	\$ 125,000	\$ 25,292	\$ 55,422	\$ 3,269	\$ 252,211	\$ 245,000	\$ 312,288	\$ 74,953	\$ 15,412
2009	140,000	17,920	-	-	631,596	250,000	299,651	78,386	12,039
2010	150,000	11,074	-	-	315,798	255,000	286,762	81,851	8,515
2011	120,000	3,420	-	-	315,798	290,000	263,574	85,470	4,831
2012	-	-	-	-	-	295,000	265,275	44,199	983
2013-2017	-	-	-	-	-	1,250,000	1,137,050	-	-
2018-2022	-	-	-	-	-	1,475,000	857,325	-	-
2023-2027	-	-	-	-	-	1,800,000	485,800	-	-
2028-2029	-	-	-	-	-	850,000	65,000	-	-
	<u>\$ 535,000</u>	<u>\$ 57,706</u>	<u>\$ 55,422</u>	<u>\$ 3,269</u>	<u>\$ 1,514,403</u>	<u>\$6,710,000</u>	<u>\$3,972,725</u>	<u>\$ 364,859</u>	<u>\$ 41,780</u>

NOTE 9 - EMPLOYEE PENSION PLAN:

Plan Description -

The Village of Romeo participates in the Municipal Employees Retirement System (MERS), a multiple employer statewide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 9 - EMPLOYEE PENSION PLAN - (cont'd):

Funding Policy -

The plan adopted by the Village Council requires no member contributions. The Village is required to contribute at an actuarially determined rate; the weighted average rate for 2007 was 4.41% - 26.78%. The contribution requirements of plan members and the Village are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Costs -

For fiscal 2007, the Village's annual pension cost of \$161,084 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 4.5% to 12.9% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the fund earns the expected rate of return (8%) and includes as adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

Fiscal Year Ending June 30,	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2005	\$ 129,688	100 %	-
2006	129,240	100	-
2007	161,084	100	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Over funded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2004	\$ 3,052,898	\$ 3,812,556	\$ 759,658	80 %	\$ 1,086,068	70 %
2005	3,285,943	3,812,556	790,147	81	1,127,989	70
2006	3,588,475	4,516,671	928,196	79	1,196,516	78

NOTE 10 - POST RETIREMENT BENEFITS:

In addition to the pension benefits described in Note 9, the Village of Romeo provides post-retirement health care and life insurance benefits to all non-unionized employees who retire from the Village on or after attaining age 55 with at least 15 years of service. Expenditures for post-retirement health care and life insurance benefits are recognized on a pay-as-you-go basis. For the year ended June 30, 2007 these costs amounted to approximately \$176,745 with nine eligible participants.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 11 - WATER PURCHASES AGREEMENT:

On December 6, 1978, the Village of Romeo entered into an agreement with the City of Detroit, for the purchase of water for the Ford Motor Company. The agreement as amended, among other things, requires the Village to pay for a minimum of 11.0 million cubic feet of water at such rates as the City of Detroit may establish, assuming such rates are reasonable in relation to the cost incurred by the City of Detroit. The term of the agreement is for a period of at least thirty-five (35) years.

In conjunction the Village of Romeo entered into an agreement, dated October 30, 1978, with the Ford Motor Company who agreed to purchase water from the Village. The agreement, as amended in November 1987, among other items, requires the Ford Motor Company to purchase 11.0 million cubic feet of water at such rates as established by the Village Board. The term of the agreement is for a period of thirty-five (35) years.

NOTE 12 - WASTEWATER TREATMENT FACILITY:

The Village has entered into an agreement with Bruce Township for the treatment of the Township's wastewater. Under the agreement the Township pays a percentage of all fixed operating costs, 15.03% for 2007 and 24.29% for 2008 and thereafter. All variable costs are allocated based on each unit's percentage of flow. For the year ended June 30, 2007, the Township's portion was \$126,155.

NOTE 13 - PRINCIPAL TAXPAYER AND UTILITY CUSTOMER:

The Ford Motor Company Engine Division, located within the Village, provides a significant portion of both property tax and utility revenues. Such revenues and the approximate percentage of the total individual revenues for the year ended June 30, 2007, are summarized below:

	<u>Revenues Provided</u>	<u>Approximate Percentage</u>
Property Taxes	\$ 1,345,220	44 %
Wastewater Treatment Service	137,222	25
Water Purchase	114,414	30

NOTE 14 - RESTRICTED ASSETS:

The restricted assets of \$ 425,016 in the Wastewater System Fund are for capital improvements.

NOTE 15 - DEFERRED COMPENSATION:

The Village offers all of its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer the Village of Romeo for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer for assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

VILLAGE OF ROMEO, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 16 - INTERGOVERNMENTAL AGREEMENT:

On February 9, 1999 the Village of Romeo signed an agreement with the Township of Bruce. The agreement provides that the Township will provide Fire, Basic Life Support and Advanced Life Support Services to the Village for all fire and emergency medical calls originating within the Village. The Township acquired title to, and obtained ownership interest in, all vehicles and equipment owned by the Village for one (\$1.00) dollar. In the event this agreement is not renewed by the parties or is otherwise terminated, the Township shall re-convey all then existing equipment and vehicles, which it previously purchased from the Village for one (\$1.00) dollar. The Village will pay the Township a base rent plus an incremental rent. The agreement is for a term of four (4) years and five (5) months ending on June 30, 2004. The agreement is automatically renewed for successive four (4) years, unless either party notifies the other party twenty-four (24) months prior to the expiration of the agreement.

NOTE 17 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Village has purchased issuance coverage for each of these types of losses, however would be responsible should limits of coverage be exceeded.

NOTE 18 - CONSTRUCTION CONTRACT COMMITMENTS:

The Village has construction activities reported in the Wastewater Fund. The construction is for an addition to the Wastewater Treatment Plant. At June 30, 2007, contracts totaling \$9,680,000 had been agreed to with \$1,315,479 still due at June 30, 2007. Of the amount, \$485,651 will be reimbursed to the Village from Bruce Township due to the agreement between the Township and the Village for the Township to purchase capacity and sanitary sewage disposal services from the Village.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ROMEO, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 2,746,050	\$ 2,645,787	\$(100,263)
Licenses and permits	10,000	5,000	(5,000)
Intergovernmental -			
State	404,300	385,563	(18,737)
Fines and forfeits	45,000	30,065	(14,935)
Interest and rents	50,000	77,689	27,689
Other	7,000	18,753	11,753
	<u>3,262,350</u>	<u>3,162,857</u>	<u>(99,493)</u>
Expenditures:			
General Government -			
Legislative	26,500	23,973	2,527
Clerk / Administrator	99,190	102,142	(2,952)
Elections	1,000	1,369	(369)
Treasurer	57,025	58,270	(1,245)
Village Hall	296,650	290,204	6,446
Planning Commission	7,000	8,500	(1,500)
	<u>487,365</u>	<u>484,458</u>	<u>2,907</u>
Public Safety -			
Fire Department	350,000	351,899	(1,899)
Police Department	1,023,805	1,078,953	(55,148)
	<u>1,373,805</u>	<u>1,430,852</u>	<u>(57,047)</u>
Public Works -			
Department of Public Works	224,000	241,267	(17,267)
Sanitation	193,000	195,414	(2,414)
	<u>417,000</u>	<u>436,681</u>	<u>(19,681)</u>
Recreation and Culture -			
Historical District Commission	5,000	818	4,182
Other	125,000	116,654	8,346
Capital Outlay	25,000	31,872	(6,872)
Debt Service	30,800	31,000	(200)
Total Expenditures	<u>2,463,970</u>	<u>2,532,335</u>	<u>(68,365)</u>
Excess of revenues over (under) expenditures	<u>798,380</u>	<u>630,522</u>	<u>(167,858)</u>
Other Financing Uses:			
Transfer In	-	5,000	5,000
Transfer Out	(914,950)	(715,839)	199,111
	<u>(914,950)</u>	<u>(710,839)</u>	<u>204,111</u>

VILLAGE OF ROMEO, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

Excess of revenues under expenditures and other uses	\$(116,570)	\$(80,317)	\$ 36,253
Fund Balance at beginning of year	<u>1,071,512</u>	<u>1,071,512</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 954,942</u></u>	<u><u>\$ 991,195</u></u>	<u><u>\$ 36,253</u></u>

VILLAGE OF ROMEO, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental -			
State - Act 51		\$ 122,655	
Interest and rent		39,947	
	<u>\$ 140,000</u>	<u>162,602</u>	<u>\$ 22,602</u>
Expenditures:			
Public Works -			
Routine maintenance		42,235	
Winter maintenance		9,036	
Village beautification		55	
Sidewalks		691	
Traffic and street signs		87	
	<u>79,509</u>	<u>52,104</u>	<u>27,405</u>
Excess of revenues over expenditures	<u>60,491</u>	<u>110,498</u>	<u>50,007</u>
Other Financing Uses:			
Transfers Out -			
Local Street	(30,000)	(62,000)	(32,000)
1994 Transportation Bonds	(30,491)	(30,491)	-
	<u>(60,491)</u>	<u>(92,491)</u>	<u>(32,000)</u>
Excess of revenues over expenditures and other uses	-	18,007	18,007
Fund Balance at beginning of year	<u>1,074,491</u>	<u>1,074,491</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,074,491</u></u>	<u><u>\$ 1,092,498</u></u>	<u><u>\$ 18,007</u></u>

VILLAGE OF ROMEO, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes		\$ 402,639	
Interest and rent		16,390	
Miscellaneous		8,025	
	<u>\$ 415,000</u>	<u>427,054</u>	<u>\$ 12,054</u>
Expenditures:			
Public Works -			
Routine maintenance		40,630	
Traffic and street signs		2,698	
Winter maintenance		145	
Street lighting		13,695	
Village beautification		34,270	
Sidewalks		9,383	
Debt Service		20,688	
	<u>264,345</u>	<u>121,509</u>	<u>142,836</u>
Excess of revenues over expenditures	<u>150,655</u>	<u>305,545</u>	<u>154,890</u>
Other Financing Uses:			
Transfers Out -			
General Fund	-	(5,000)	(5,000)
Local Street Fund	(150,655)	(150,655)	-
	<u>(150,655)</u>	<u>(155,655)</u>	<u>(5,000)</u>
Excess of revenues over expenditures and other uses	-	149,890	149,890
Fund Balance at beginning of year	<u>163,791</u>	<u>163,791</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 163,791</u></u>	<u><u>\$ 313,681</u></u>	<u><u>\$ 149,890</u></u>

SUPPLEMENTARY INFORMATION

VILLAGE OF ROMEO, MICHIGAN

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

Special Revenue Funds

	Local Street	Cemetery	Public Improvement	Inspections	Library	Harron Cable
ASSETS						
Cash and cash equivalents	\$ 109,060	\$ 154,140	\$ 172,461	\$ 15,478	\$ 41	\$ 75,158
Due from other governmental units - State	10,452	-	-	-	-	-
	<u>\$ 119,512</u>	<u>\$ 154,140</u>	<u>\$ 172,461</u>	<u>\$ 15,478</u>	<u>\$ 41</u>	<u>\$ 75,158</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payables	\$ 3,319	\$ 190	\$ -	\$ 782	\$ -	\$ -
Accrued liabilities	139	1,369	-	1,238	-	-
Due to other funds	55,929	335	-	-	-	-
	<u>59,387</u>	<u>1,894</u>	<u>-</u>	<u>2,020</u>	<u>-</u>	<u>-</u>
Fund Balance:						
Reserved -						
Debt Services	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unreserved -						
Undesignated	60,125	152,246	172,461	13,458	41	75,158
	<u>60,125</u>	<u>152,246</u>	<u>172,461</u>	<u>13,458</u>	<u>41</u>	<u>75,158</u>
	<u>\$ 119,512</u>	<u>\$ 154,140</u>	<u>\$ 172,461</u>	<u>\$ 15,478</u>	<u>\$ 41</u>	<u>\$ 75,158</u>

<u>Debt Service Funds</u>		<u>Capital Project Fund</u>	
<u>1994 Transportation Bonds</u>	<u>1995 G.O. Bond Debt</u>	<u>Highway Paving & Sidewalk</u>	<u>Total</u>
\$ 87,870	\$ 2,265	\$ 27,195	\$ 643,668
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,452</u>
<u>\$ 87,870</u>	<u>\$ 2,265</u>	<u>\$ 27,195</u>	<u>\$ 654,120</u>
\$ -	\$ -	\$ -	\$ 4,291
-	-	-	2,746
<u>-</u>	<u>-</u>	<u>-</u>	<u>56,264</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>63,301</u>
87,870	2,265	-	90,135
-	-	27,195	27,195
<u>-</u>	<u>-</u>	<u>-</u>	<u>473,489</u>
<u>87,870</u>	<u>2,265</u>	<u>27,195</u>	<u>590,819</u>
<u>\$ 87,870</u>	<u>\$ 2,265</u>	<u>\$ 27,195</u>	<u>\$ 654,120</u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2007

Special Revenue Funds

	Local Street	Cemetery	Public Improvement	Inspections	Library	Harron Cable
Revenues:						
Intergovernmental -						
State	\$ 72,205	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	17,650	-	22,959	-	-
Interest and rent	3,190	7,111	9,265	1,088	1	12,532
Other	-	36,991	-	-	-	57,856
	<u>75,395</u>	<u>61,752</u>	<u>9,265</u>	<u>24,047</u>	<u>1</u>	<u>70,388</u>
Expenditures:						
General Government	-	63,535	-	-	-	-
Public Safety	-	-	-	37,556	-	-
Public Works	242,786	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-	45,788
Debt Service						
Principal	-	-	-	-	-	10,101
Interest and charges	-	-	-	-	-	795
	<u>242,786</u>	<u>63,535</u>	<u>-</u>	<u>37,556</u>	<u>-</u>	<u>56,684</u>
Excess of revenues over (under) expenditures	(167,391)	(1,783)	9,265	(13,509)	1	13,704
Other Financing Sources (Uses):						
Transfers In	212,655	19,050	-	-	-	-
Transfer Out	(18,134)	-	(30,922)	-	-	-
Total Other Financing Sources	<u>194,521</u>	<u>19,050</u>	<u>(30,922)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	27,130	17,267	(21,657)	(13,509)	1	13,704
Fund Balances at beginning of year	<u>32,995</u>	<u>134,979</u>	<u>194,118</u>	<u>26,967</u>	<u>40</u>	<u>61,454</u>
Fund Balances at end of year	<u><u>\$ 60,125</u></u>	<u><u>\$ 152,246</u></u>	<u><u>\$ 172,461</u></u>	<u><u>\$ 13,458</u></u>	<u><u>\$ 41</u></u>	<u><u>\$ 75,158</u></u>

Debt Service Funds		Capital Project Fund	
1994 Transportation Bonds	1995 G.O. Bond Debt	Highway Paving & Sidewalk	Total
\$ -	\$ -	\$ -	\$ 72,205
-	-	-	40,609
2,089	-	1,395	36,671
-	-	-	94,847
<u>2,089</u>	<u>-</u>	<u>1,395</u>	<u>244,332</u>
-	-	-	63,535
-	-	-	37,556
457	-	10,620	253,863
-	-	-	45,788
40,000	75,000	-	125,101
9,125	25,008	-	34,928
<u>49,582</u>	<u>100,008</u>	<u>10,620</u>	<u>560,771</u>
<u>(47,493)</u>	<u>(100,008)</u>	<u>(9,225)</u>	<u>(316,439)</u>
48,625	101,590	-	381,920
-	-	-	(49,056)
<u>48,625</u>	<u>101,590</u>	<u>-</u>	<u>332,864</u>
1,132	1,582	(9,225)	16,425
<u>86,738</u>	<u>683</u>	<u>36,420</u>	<u>574,394</u>
<u>\$ 87,870</u>	<u>\$ 2,265</u>	<u>\$ 27,195</u>	<u>\$ 590,819</u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
LOCAL STREET FUND			
Revenues:			
Intergovernmental -			
State - Act 51		\$ 63,651	
Public Act 48		8,554	
Interest		3,190	
	<u>\$ 68,000</u>	<u>75,395</u>	<u>\$ 7,395</u>
Expenditures:			
Public Works -			
Routine maintenance		183,785	
Traffic markers and street signs		6,190	
Winter maintenance		52,372	
Village beautification		50	
Sidewalks		389	
	<u>276,325</u>	<u>242,786</u>	<u>33,539</u>
Excess of revenues over (under) expenditures	<u>(208,325)</u>	<u>(167,391)</u>	<u>40,934</u>
Other Financing Sources (Uses):			
Transfers In (Out) -			
Major Street	30,000	62,000	32,000
Municipal Street	150,655	150,655	-
1994 Street Replacement	<u>(18,134)</u>	<u>(18,134)</u>	<u>-</u>
	<u>162,521</u>	<u>194,521</u>	<u>32,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(45,804)</u>	27,130	72,934
Fund Balance at beginning of year	<u>32,995</u>	<u>32,995</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ (12,809)</u></u>	<u><u>\$ 60,125</u></u>	<u><u>\$ 72,934</u></u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
CEMETERY FUND			
Revenues:			
Charges for services -			
Grave openings		\$ 17,650	
Interest and rent		7,111	
Other revenue -			
Sale of lots		30,450	
Miscellaneous		6,541	
	<u>\$ 51,500</u>	<u>61,752</u>	<u>\$ 10,252</u>
Expenditures:			
General Government -			
Salaries		40,360	
Fringe benefits		4,003	
Contracted service		1,560	
Supplies		1,450	
Telephone		307	
Utilities		674	
Repairs and maintenance		2,808	
Miscellaneous		35	
Equipment rental		12,338	
	<u>70,550</u>	<u>63,535</u>	<u>7,015</u>
Excess of revenues over (under) expenditures	(19,050)	(1,783)	17,267
Other Financing Sources:			
Transfer In -			
Motor Pool Fund	<u>19,050</u>	<u>19,050</u>	<u>-</u>
Excess of revenues and other sources over expenditures	-	17,267	17,267
Fund Balance at beginning of year	<u>134,979</u>	<u>134,979</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 134,979</u>	<u>\$ 152,246</u>	<u>\$ 17,267</u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
PUBLIC IMPROVEMENT FUND			
Revenues:			
Interest and rent	\$ 5,000	\$ 9,265	\$ 4,265
Other Financing Uses:			
Transfer Out - Sewer Fund	(180,000)	(30,922)	149,078
Excess of revenues under expenditures and other uses	(175,000)	(21,657)	153,343
Fund Balance at beginning of year	194,118	194,118	-
Fund Balance at end of year	<u>\$ 19,118</u>	<u>\$ 172,461</u>	<u>\$ 153,343</u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
INSPECTIONS FUND			
Revenues:			
Permits			
Building		\$ 4,477	
Electrical		5,053	
Heating		7,379	
Zoning		6,050	
Interest		1,088	
	<u>\$ 36,000</u>	<u>24,047</u>	<u>\$(11,953)</u>
Expenditures:			
Public Safety -			
Salaries		26,351	
Fringe benefits		2,413	
Supplies		782	
Contracted services		3,735	
Telephone		974	
Education and training		2,853	
Other		448	
	<u>36,000</u>	<u>37,556</u>	<u>(1,556)</u>
Excess of revenues under expenditures	-	(13,509)	(13,509)
Fund Balance at beginning of year	<u>26,967</u>	<u>26,967</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 26,967</u></u>	<u><u>\$ 13,458</u></u>	<u><u>\$(13,509)</u></u>

VILLAGE OF ROMEO, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
HARRON CABLE FUND			
Revenues:			
Interest and rents		\$ 12,532	
Other -			
Franchise fees		<u>57,856</u>	
	<u>\$ 57,148</u>	<u>70,388</u>	<u>\$ 13,240</u>
Expenditures:			
Recreation and Cultural -			
Tri-Community Cable Communication			
Commission		45,788	
Debt Service		<u>10,896</u>	
	<u>57,148</u>	<u>56,684</u>	<u>464</u>
Excess of revenues over expenditures	-	13,704	13,704
Fund Balance at beginning of year	<u>61,454</u>	<u>61,454</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 61,454</u></u>	<u><u>\$ 75,158</u></u>	<u><u>\$ 13,704</u></u>

FIDUCIARY FUND

VILLAGE OF ROMEO, MICHIGAN

**AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Cash and cash equivalents	\$ 2,437	\$ 3,359,841	\$ 3,359,737	\$ 2,541
Accounts receivable	530	4	-	534
	<u>\$ 2,967</u>	<u>\$ 3,359,845</u>	<u>\$ 3,359,737</u>	<u>\$ 3,075</u>
LIABILITIES				
Due to other funds	<u>\$ 2,967</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 3,075</u>

COMPONENT UNITS

VILLAGE OF ROMEO, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2007

Current Assets:

Cash and cash equivalents	\$ 322,305
Due from primary government	<u>68,762</u>
	<u><u>\$ 391,067</u></u>

Fund Balance:

Unreserved	<u><u>\$ 391,067</u></u>
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 133,350	\$ 145,256	\$ 11,906
Interest and rents	<u>250</u>	<u>13,897</u>	<u>13,647</u>
	<u>133,600</u>	<u>159,153</u>	<u>25,553</u>
Expenditures:			
Public Works -			
Events		21,953	
Advertising		4,005	
Insurance		1,880	
Office		522	
Professional services		12,596	
Occupancy and utilities		4,595	
Streetscape		53,255	
Miscellaneous		<u>175</u>	
	<u>133,600</u>	<u>98,981</u>	<u>34,619</u>
Excess of revenues over expenditures	-	60,172	60,172
Fund Balance at beginning of year	<u>330,895</u>	<u>330,895</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 330,895</u></u>	<u><u>\$ 391,067</u></u>	<u><u>\$ 60,172</u></u>

VILLAGE OF ROMEO, MICHIGAN

**BROWNFIELD REDEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2007**

Current Assets:

Due from primary government	\$ 17,775
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Fund Balance:

Unreserved	\$ 17,775
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

Revenues:

Taxes	\$ 17,775
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Fund Balance at beginning of year	-
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Fund Balance at end of year	\$ 17,775
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the President and
Members of the Village Board
Village of Romeo, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Romeo as of and for the year ended June 30, 2007, which collectively comprise Village of Romeo's basic financial statements and have issued our report thereon dated November 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Romeo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Romeo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Village of Romeo's internal control. We considered the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Preparation of the "external" Financial Statements in Accordance with Generally Accepted Accounting Principles.

New accounting standards require that the entity have the expertise and technical ability to prepare the entity's financial statements, including all the notes and GASB No. 34 Financial statements, in accordance with generally accepted accounting principles. The Village's accounting department routinely prepares "internal" financial reports for management and the Village Council to assess the operations and financial conditions of the Village throughout the year.

At the end of each year the accounting department makes various year end adjustments to the "internal" financial statements and provides these reports to us, the auditors, to audit and prepare the

Village's "external" financial statements. The "external" financial statements must include not only the number section of the financial report but also very extensive and detailed "notes to the financials statements".

Although we believe that the Village's accounting staff has the expertise and technical ability to prepare the basic number section of the financial statements, they require our assistance in preparing the notes to the financial statements and for certain technical assistance in preparing generally accepted accounting principle financial statements. We do not recommend any changes to this situation at this time however, are reporting it as required under professional standards.

The number of signature stamps should be reduced.

During the audit, we noted that there are signature stamps for the Village President and Village Treasurer. Once invoices are approved and the checks are prepared, the Village Clerk/Administrator signs the checks and has someone stamp either the Village President's or the Village Treasurer's name. It is our understanding that all checks are to have at least one manual signature. To increase controls, we suggest that the signature stamp for the Village Treasurer be eliminated. By eliminating the signature stamp, there would be no way to get a check processed without at least the Village Clerk/Administrator or Village Treasurer signing the check, and as long as either the Village Clerk/Administrator or Village Treasurer is available, checks could be processed.

All cash receipts, including taxes and utility payments, should be recorded in the receipting system at the time of payment.

It is our understanding that all payments received are recorded in the Village cash receipting system at the time of payment with the exception of utility billings and tax payments which are recorded in the receipting system at the end of a day.

It was communicated by administration that it is not practical to record all utility and tax payments at the time of collection, especially since all taxes must also be entered into separate tax software. Many of our clients are utilizing electronic scanning devices to record these payments. We recommend that the Village investigate if there is some type of electronic scanning device that is available that would make it practical to receipt all payments at the time of collection.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Romeo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, and others within the Village of Romeo, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Stewart, Beauvais & Whipple

November 28, 2007

MANAGEMENT LETTER

To the President and Members
of the Village Board
Village of Romeo, Michigan

As you know, we have recently completed our audit of the financial statements of the Village of Romeo, Michigan as of and for the year ended June 30, 2007. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and operational efficiency of the Village's recordkeeping system or compliance with laws and regulations. These suggestions are a result of our evaluation of internal accounting controls and procedures and our discussions with management. As noted in the **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated November 28, 2007, these weaknesses were not considered significant deficiencies in relation to the financial statements of the Village of Romeo.

There should be a perpetual inventory system established for the gasoline and diesel fuel storage tanks with periodic physical inventories taken.

The Village currently has two fuel tanks that are being used by the DPW, WWTP and Police Department employees. These employees each have keys to access the pumps to use on an as needed basis. The employee writes down the amount of fuel pumped and submits it to their supervisor. The supervisors submit a report each month for the amount of fuel used by each department. This report is used to generate a journal entry to expense the cost of fuel to the proper department.

We recommend, to increase controls and to provide a more accurate inventory balance, that a perpetual inventory be established that reconciles the beginning inventory amount, plus additions, less usage to equal the amount of the asset that is recorded at the end of each month. Also at the end of each month, a physical reading should be taken and compared to the perpetual inventory records.

The Village should consider covering employees with fidelity bonds.

During our audit we were told that only two employees are covered by fidelity bonds. We recommend that all employees that have access to cash (either receipting or disbursing) or responsible for other assets or accounting records be bonded.

Miscellaneous invoices should be prenumbered.

During the audit we noted that miscellaneous invoices that are used to bill residents or business owners are not prenumbered. A manual log is kept of these invoices. The same person filling out the invoices is at times collecting the receipts at the front counter and preparing the manual log. We recommend that these invoices be prenumbered and a log of the invoice number and payee be maintained by someone other than the person preparing the invoices.

Downtown Development Authority -

All expenditures should be approved by the DDA Board.

During our audit we were unable to verify that any invoices were board approved. We recommend stating in the board minutes the total dollar amount of checks being approved and attaching the checklist.

Also, the Michigan Department of Treasury requires and we strongly recommend, that all invoices be approved by the Board prior to payment. If a penalty will be incurred or an invoice must be paid prior to the next Board meeting, than the bills requiring payment should be approved at the next meeting.

A monthly financial statement should be prepared and approved by the Board.

The DDA utilizes the program Quicken to prepare checks; however, it is our understanding that a monthly balance sheet and operating statement is not prepared and approved by the Board. We recommend that monthly financial statements be prepared and approved by the Board. Also, the cash balance per the bank statement should be reconciled to the financial statement each month.

The Board should consider adopting a conflict of interest policy.

Although the DDA does not currently do business with any Board Members, we recommend that the Board adopt a conflict of interest policy outlining the areas that would be considered a conflict and when there is a conflict, the procedures that should be followed, such as the member not voting on the issue, disclosing the conflict annually, etc.

The Board should consider adopting a procurement policy.

The DDA does not currently have a formal procurement policy that establishes procedures for the purchasing of goods or services. We recommend that a formal policy be established and followed by the DDA.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2007 financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information of the Village Board of the Village of Romeo and management and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

November 28, 2007